

MONTHLY ECONOMIC BULLETIN

July 2016



Republic of Guyana
Ministry of Finance
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The Monthly Economic Bulletin

The Monthly Economic Bulletin (MEB), which is produced by the Economic Policy Analysis Unit (EPAU) of the Office of the Budget, Ministry of Finance provides a monthly update on some of the important developments within Guyana's economy. The sectors covered in the MEB are Real, Fiscal, Monetary and External. The MEB also provides an update on the forecast of key economic variables within Guyana's economy. The MEB is intended to be both informative and accessible not only to staff at the Ministry of Finance but also to staff at other government agencies and the wider public. The MEB can be used for research purposes and is available online at the Ministry of Finance's website at www.finance.gov.gy.

This Edition of the MEB covers data pertaining to June, 2016.

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Real Sector

Economic Growth

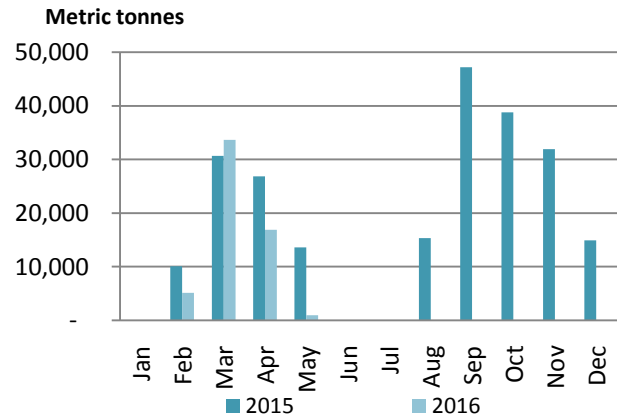
- Economic performance has been mixed during the first half of 2016. As expected, the main driver of economic growth in the mining sector is gold, with production for small and medium size miners as well as Guyana Gold Fields and Troy Resources continuing to increase. The bauxite industry has surpassed expectations in 2016, changing the outlook for this industry from zero growth towards a positive growth rate. As expected, production in the rice and sugar industries in June was minimal, since both industries are between crops.

Agriculture

Sugar

- As in 2015, there was no sugar production in June 2016, as the harvest of the first crop was completed in May.
- Sugar production for the first half of 2016 came in below expectation, largely due to the negative effects of the El Niño weather phenomenon. As a result, the industry's target for 2016 has been revised downward to 218,188 tonnes.

Figure 1. Sugar Production, 2015-2016

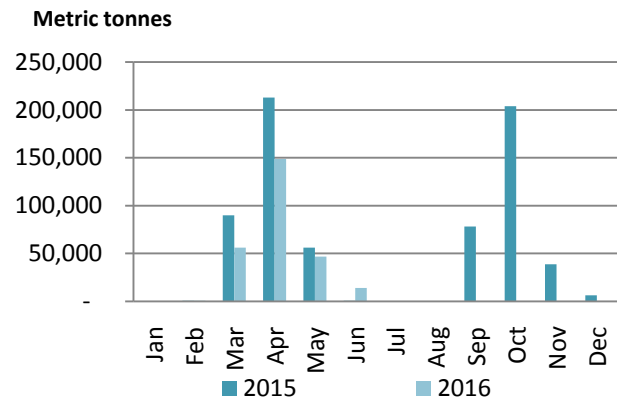


Source: Bureau of Statistics

Rice

- Rice production for June, 2016 reached 13,982 tonnes, up from 618 tonnes in June, 2015. The higher June production was largely due to a late harvest, as some acres were planted late. This delay in planting contributed to lower harvests in March and April.
- This brings rice production from January to June, 2016 to 265,818 tonnes compared to 359,960 tonnes produced during the same period in 2015. The fall in production for the first crop in 2016 was attributed mainly to the El Niño weather phenomenon.

Figure 2. Rice Production, 2015-2016

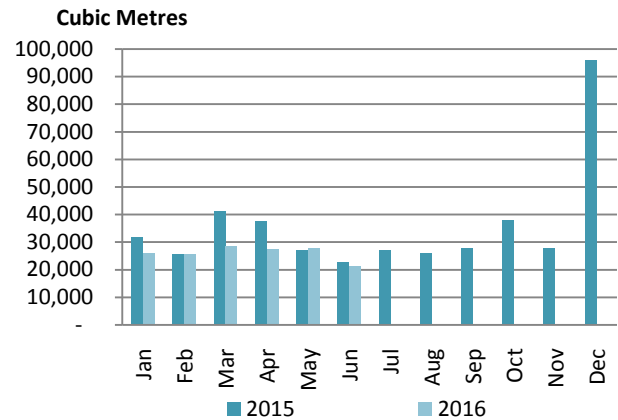


Source: Bureau of Statistics

Forestry

- Forestry production for June, 2016 amounted to 21,182 cubic metres compared with 22,487 cubic metres in June, 2015. Total production from January to June, 2016 stood at 155,506 cubic metres compared to 185,166 cubic metres during the same period in 2015. Production levels have been low in 2016 because some concessions were not operational for much of the first half of the year.

Figure 3. Forestry Production, 2015-2016



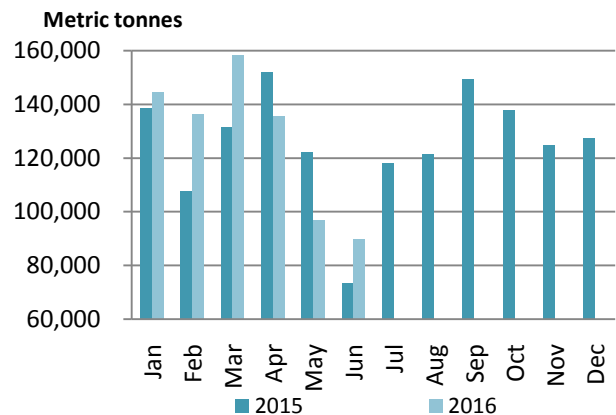
Source: Bureau of Statistics

Mining and Quarrying

Bauxite

- Bauxite production for June, 2016 was 89,534 tonnes compared to 73,352 tonnes in June, 2015. This brings bauxite production from January to June, 2016 to 760,689 tonnes compared to 746,824 tonnes during the same period in 2015. The increase in production for 2016 is mainly attributed to increased efficiency within the industry.

Figure 4. Bauxite Production, 2015-2016

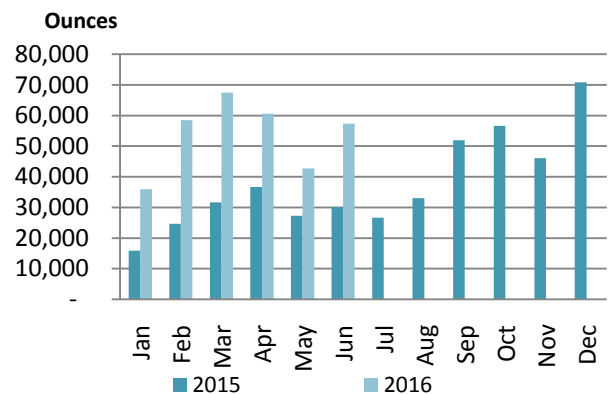


Source: Bureau of Statistics

Gold

- Gold production for June, 2016 totalled 57,328 ounces compared to 30,098 ounces achieved in June, 2015. This brings gold production to 322,492 ounces so far for 2016, representing an increase of 94.3 percent over the production achieved during the same period in 2015. The strong performance this year is due to both increased production by small and medium sized miners, and the two expatriate companies.

Figure 5. Gold Production, 2015-2016

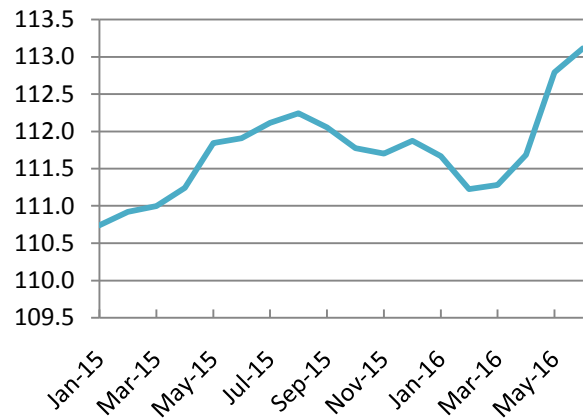


Source: Bureau of Statistics

Inflation

The urban Consumer Price Index for Georgetown has increased by 1.1 percent between June 2015 and June 2016. Although the 12 month increase in prices (a common measure for non-seasonally adjusted price indices) has been modest, inflation has accelerated over the last few months, reflecting recovering oil prices. Between May 2016 and June 2016, fuel and power prices increased by 1.8 percent, while prices for gasoline and gasoil for personal transport increased by 6.2 percent.

Figure 6. Consumer Price Index (CPI), 2015-2016



Source: Bureau of Statistics

Fiscal Sector

Revenues

- Central Government current revenues totalled \$85.9 billion at the end of June, 2016, an increase of 9.7 percent or \$7.6 billion compared to revenue collections during January to June, 2015. This growth was driven by increases in both non-tax revenues and tax revenues.
- Tax revenue collections were equal to \$75.1 billion through June, 2016, compared with \$70.9 billion for the same period in 2015, an increase of 6.1 percent. Noteworthy growth occurred for company, withholding, personal, excise and international trade taxes.
- Value Added Tax (VAT) totalled \$17.3 billion through June, 2016, decrease of 4.6 percent over the same period in 2015. The decrease was mainly due to a decline in VAT on imports.
- Excise tax collections fell slightly compared with 2015, reaching \$14.9 billion for the first half of 2016. Much of the decline was due to a large drop in collections on imports of petroleum products.
- Non-tax revenues increased by \$2.4 billion compared to the same period in 2015. Dividends and transfers, a subcategory of non-tax revenues, were boosted by a \$1 billion dividend payment by Guyoil in the first half of 2016. Collections of rent and royalties also increased, mainly driven by higher gold production and declarations.

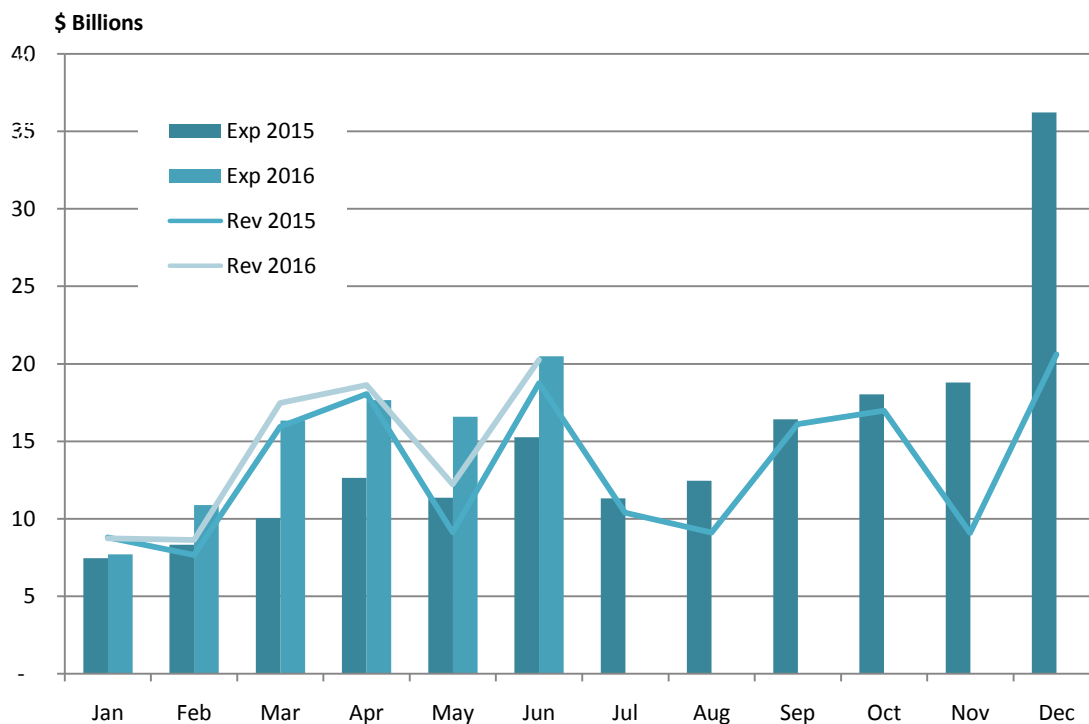
Expenditure

- Central Government expenditure reached \$89.7 billion at the end of June, 2016 compared to \$65.1 billion expended from January to June in 2015.
- Non-interest expenditure reached \$73.3 billion at the end of June, 2016, an increase of 32.9 percent over the amount spent during the same period in 2015. This increase was mainly due to a rise in transfer payments, resulting from several factors. First, the addition of the Constitutional Agencies to this category resulted in greater recorded expenditure. Second, increases in old age pension, statutory pensions and gratuity and payments to local and international organisations led to an increase in pension payments. Finally, transfer payments were boosted by the \$9.0 billion transfer to GuySuCo which took place in the first half of 2016. Personal

emoluments also increased 4.3 percent due to the increase in wages and salaries given to public servants in 2015, while spending on other goods and services rose slightly, reflecting expenditure associated with the Golden Jubilee celebrations in May 2016.

- Capital expenditure rose by 89.4 percent, reaching \$13.2 billion at the end of June, 2016, compared to \$7.0 billion expended during January to June, 2015. Capital spending accelerated in both May and June this year, reaching \$5.0 billion in June, but the pace of implementation of the Public Sector Investment Programme continues to be of concern. Project Managers and Permanent Secretaries will be pushed to make every effort to keep capital spending on track in the second half of 2016.

Figure 7. Current Revenues and Expenditure



Source: Guyana Revenue Authority and Ministry of Finance

Monetary and Financial Sectors

Money Supply

- Money and quasi-money (M2) continued to grow slowly but steadily in June. M2, which includes currency, demand deposits, cashier's checks and bank acceptances, and time and savings deposits, increased by 1.8 percent over the 12 months ending in June. The average rate of M2 growth in 2014 was 4.7 percent. Slower money growth is associated with lower inflationary pressures, assuming growth in demand for money remains constant.
- Currency in circulation increased by 9.5 percent over the 12 months ending in June, while demand deposits, cashier's checks and bank acceptances fell by 0.7 percent. Time and savings deposits, which make up a little over 60 percent of money and quasi-money, grew by 0.2 percent over the same period.
- Guyana's money liquidity ratio, or the ratio of currency to M2, has remained flat over the first half of 2016, after trending upward in recent years. The long-run upward trend in the liquidity ratio is due to currency in

circulation growing more quickly than time and savings deposits. A lower liquidity ratio is often seen as an indicator of increased financial development and financial services diversity. A rising liquidity ratio may suggest that Guyana could benefit from more options and availability in banking and financial services.

Figure 8. 12 Month Growth of Money & Quasi-Money



Domestic Interest Rates

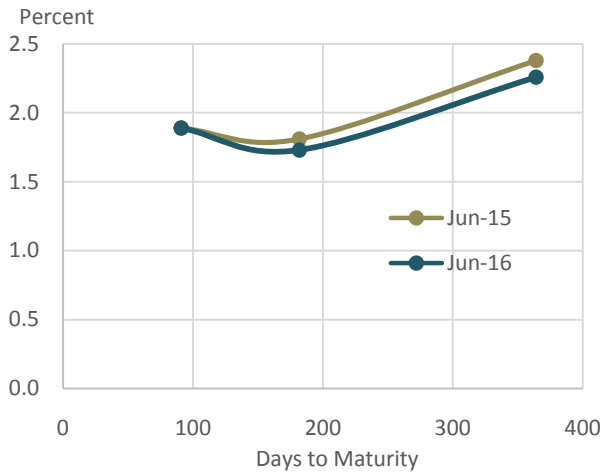
- Interest rate movements were mixed in June. The interest rate on 91-day Treasury Bills increased to 1.89 percent, up from 1.87 percent in May. Rates on 182-day and 364-day Treasury Bills fell 0.1 and 1.4 basis points, respectively.
- The commercial bank weighted average lending rate fell 5.1 basis points, while the small savings rate remained unchanged at 1.26 percent. The spread between lending and savings rates has narrowed gradually in recent years, as lending rates fell while the savings rate remained constant.

Table 1. Key Interest Rates

| | Current Interest Rate |
|------------------------------------|-----------------------|
| Bank Rate | 5.00% |
| Treasury Bills | |
| 91 Days | 1.89% |
| 182 Days | 1.73% |
| 364 Days | 2.26% |
| Commercial Bank Lending Rate | 10.46% |
| Commercial Bank Small Savings Rate | 1.26% |

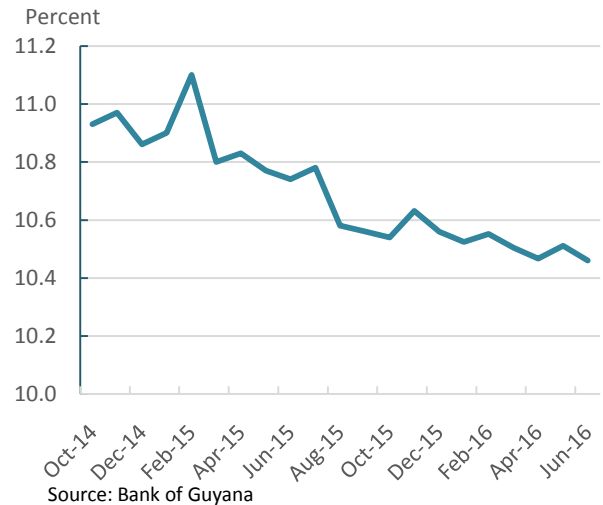
Source: Bank of Guyana

Figure 9.1 Yield Curve for Guyana Treasury Bills



Source: Bank of Guyana

Figure 9.2 Commercial Bank Lending Rate

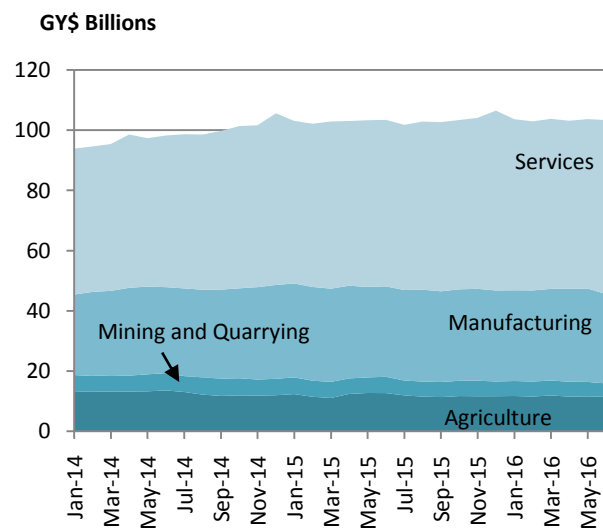


Source: Bank of Guyana

Private Sector Credit

- Domestic lending excluding real estate mortgages fell slightly in June, declining by 0.2 percent from \$134.5 billion in May to \$134.2 billion in June. Compared with June 2015, credit grew by 3.0 percent. This was the highest 12-month credit growth rate seen so far in 2016.
- While credit to the general government increased by \$69.2 million, credit declined for public enterprises. Lending to private business enterprises, which accounts for about three-quarters of all lending, fell by 0.3 percent compared with May. Lending in this category was slightly below levels in June 2015.
- Lending to private business enterprises declined in the agriculture, mining, and manufacturing industries in June, compared with May. Lending to mining and quarrying industries fell by 6.7 percent. Lending to manufacturing fell by 4.2 percent. Within this category, credit to timber and sawmilling dropped sharply, falling 24.9 percent.
- Lending to households rose by 1.9 percent in June, compared with May, and was 19.1 percent higher than June 2015. Lending to households has grown consistently over the past year, due to strong growth in loans for housing, travel, and durable goods other than cars.

Figure 10. Private Credit to Private Business, by Sector



Source: Bank of Guyana

Table 2. Loans by Sector, October 2015

| | Loans in May, GY\$ Billions | 1 Month % Change in Credit | 12 Month % Change in Credit |
|------------------------------------|--------------------------------|----------------------------------|-----------------------------------|
| TOTAL CREDIT | 134.18 | -0.2% | 3.0% |
| Public Sector | 1.97 | 1.7% | 7.9% |
| <i>General Government</i> | 0.10 | 256.6% | 3748.0% |
| <i>Public Business Enterprises</i> | 1.88 | -1.8% | 2.8% |
| Financial Institutions | 0.80 | -2.4% | -44.5% |
| Private Business Enterprises | 103.40 | -0.3% | -0.1% |
| <i>Agriculture</i> | 11.46 | -1.6% | -9.9% |
| <i>Mining and Quarrying</i> | 4.46 | -6.7% | -17.5% |
| <i>Manufacturing</i> | 29.71 | -4.2% | -1.1% |
| <i>Services</i> | 57.77 | 0.9% | 4.5% |
| Households | 28.01 | 0.0% | 19.1% |

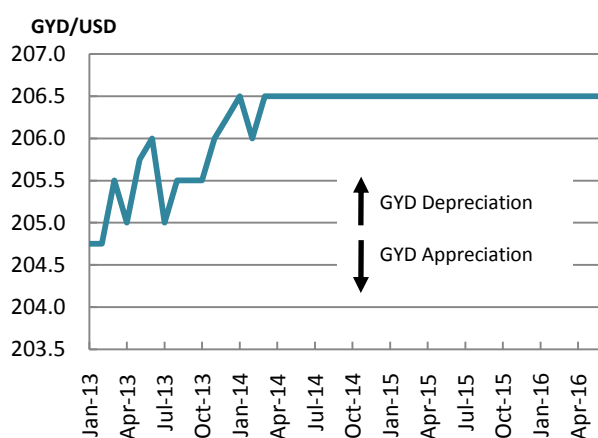
Source: Bank of Guyana

External Sector

Exchange Rate and Official Reserves

- The Bank of Guyana has recorded an official exchange rate of 206.50 Guyana dollars to one U.S. dollar since March 2014. The rate was unchanged in June.

Figure 11. Bank of Guyana Exchange Rate



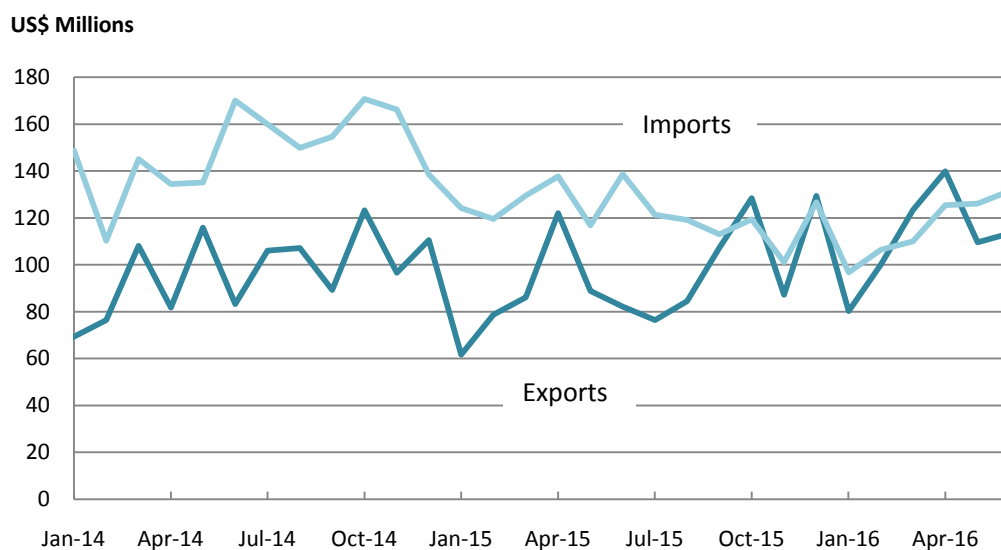
Source: Bank of Guyana

- Foreign reserves held by the Bank of Guyana rose by US\$22.2 million in June to US\$634.6 million. Reserve levels have been mostly stable since early 2015. For most of 2016, foreign exchange market interventions by the Bank of Guyana have been minimal, consisting of some small foreign exchange sales.
- The Bank of Guyana's foreign reserves are currently equal to about 4 months of imports, above the 3 month minimum generally considered to be a benchmark for reserve adequacy.
- The ratio of reserves to M2, an alternative measure of reserve adequacy, was approximately 39 percent in June, well above the benchmark minimum of 20 percent.

Imports and Exports

- Guyana recorded a merchandise trade deficit of US\$18.16 million in June, following a deficit of US\$16.61 in May.
- Domestic exports rose by US\$3.81 million to US\$113.30 million, a 3.5 percent increase compared to May. Exports in June 2016 were 38.0 percent higher than in June 2015.
- Imports rose by US\$5.36 million to US\$131.46 million in June, a monthly increase of 4.2 percent, but were down 5.2 percent compared with June 2015.
- Gold and shrimp and prawn exports posted strong results in June, 2016. Gold exports were US\$63.21 million in June 2016, down slightly from May, but up by more than 170 percent when compared with June 2015. Exports of shrimp and prawns nearly doubled from May to June to reach US\$6.35 million. This value also represents an increase of more than 110 percent when compared with June, 2015.
- Exports of sugar and rice were weak in June, 2016. Sugar exports totalled US\$1.24 million, down by 64.4 percent when compared with June 2015. Rice and paddy exports were US\$19.14 million, representing a decline of 29.0 percent compared with June 2015.
- Imports rose in June, driven by increases in imports of consumption goods and intermediate goods. Imports of consumption goods rose by 7.9 percent compared with May, and were 5.6 percent above levels in June 2015. Imports of intermediate goods rose by 7.6 percent, but were 12.2 percent below their June 2015 level. Intermediate goods imports rose in every subcategory, except food for immediate use.

Figure 13. Merchandise Trade



Source: Guyana Bureau of Statistics

International Commodity Prices

- Global commodity prices continued to trend upward in June. Prices for the key exports gold, sugar, and rice are now higher than they were a year ago. Aluminium prices continue to rise, but remain just below their level in June 2015. The price of oil, one of Guyana’s key imports, continues to rise as well.
- World prices for oil rose for the fifth consecutive month in June. The price of Brent crude oil rose by 2.9 percent from May to June. So far this year, the price has increased by 57.4 percent since January 2016. The price of Brent crude oil remains 22.2 percent below the price in June 2015. The increase in oil prices reflected a draw down in oil supplies in the United States, as Canadian output was disrupted by wildfires in May while demand for gasoline remained strong.
- Sugar prices continued to rally in June, rising 14.1 percent compared to May. A global sugar shortage and a slow sugar harvest in Brazil are reportedly contributing to higher prices. The global price of sugar is now 55.8 percent higher than it was 12 months ago.
- Gold prices surged in late June, immediately following the UK’s Brexit referendum vote. Gold prices often rise in periods of financial market turmoil, as investors turn to gold and other safe assets in a “flight to safety”. If the UK can assure markets that its exit from the European Union will be orderly, it is likely that some of this increase in gold prices will be reversed.

Table 3. International Commodity Prices, December

| Key Commodity Prices, June 2016 | | | |
|---------------------------------|---------------|----------------------|-----------------------|
| Commodity | Price in US\$ | 1 Month Price Change | 12 Month Price Change |
| Crude Oil, Brent (per bbl) | \$48.48 | 2.9% | -22.2% |
| Gold (per troy oz) | \$1,276.40 | 1.2% | 8.0% |
| Aluminum (per mt) | \$1,591.15 | 2.6% | -5.7% |
| Sugar, world price (per kg) | \$0.43 | 14.1% | 55.8% |
| Rice, Thai 5% (per mt) | \$441.00 | 1.8% | 17.3% |
| Logs, Cameroon (per cubic m) | \$393.16 | -0.7% | 0.2% |

Source: World Bank Pink Sheet

International Economic News

Global Growth

- On June 15, the U.S. Federal Reserve Board of Governors released the economic projections of its board members for the U.S. economy. The projections indicate that, on average, the Board of Governors is now expecting lower GDP growth in 2016 than it did in April this year. The average projected growth rate was revised down to 2.0 percent from 2.2 percent.
- On June 23rd, the United Kingdom voted to exit the European Union. After the announcement of the results, stock market

volatility spiked, while the British pound depreciated notably. Although markets calmed in the weeks following the vote, there is still a great deal of uncertainty about what the UK's relationship with the European Union will be going forward, and how the new relationship will affect both the UK economy and global growth. Before the vote, the Economist Intelligence Unit estimated that leaving the EU could cost Britain 6 percent of its GDP by 2020.

Global Markets

- Major world stock markets had mixed performances in June. Despite falling in the wake of the results of the UK's Brexit referendum, indexes for the United States, the UK, and China ended the month of June above their levels at the end of May.
- Most major stock market indexes remain below their levels a year ago. The Shanghai Stock Exchange (SSE) Composite Index, which captures stocks listed on China's Shanghai Stock Exchange, was 28 percent lower as of July 1 compared with a year ago. The exception is the U.S. S&P 500, which ended the month of June 1.23 percent higher than its level a year ago.
- Prices for developing country sovereign bonds jumped at the end of June, indicating a reduction in interest rates. Sovereign bonds may be profiting from a "flight to safety" in the wake of the Brexit vote. The persistence of low interest rates, even for developing countries, is a good sign that markets are optimistic that Brexit will not

have large negative effects on emerging markets.

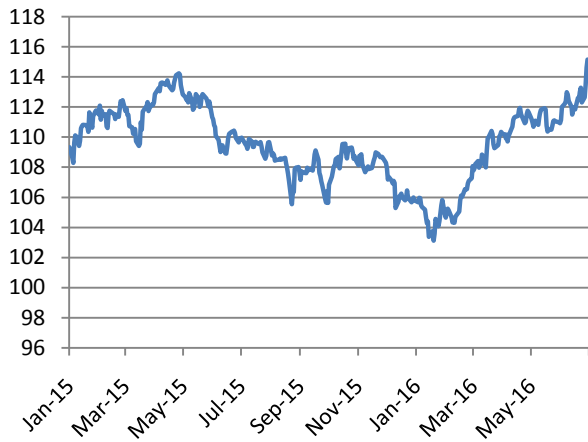
- Volatility in global stock markets spiked immediately after Brexit, but quickly reverted to lower levels. The CBOE Volatility Index, or VIX, rose to 25.8 on June 24, 2016, but fell back to 15.6 by the end of the month.

Table 4. Global Markets Summary, May 1, 2016

| As of: | | July 01, 2016 | | |
|--------------------|----------------|---------------|----------------|-----------------|
| | | Level | 1 Month Change | 12 Month Change |
| S&P 500 | United States | 2103 | 0.17% | 1.23% |
| | United Kingdom | 6578 | 6.23% | -0.47% |
| DAX | Germany | 9776 | -4.20% | -12.56% |
| Shanghai Composite | China | 2932 | 0.65% | -27.66% |
| Nikkei | Japan | 15682 | -7.51% | -22.86% |

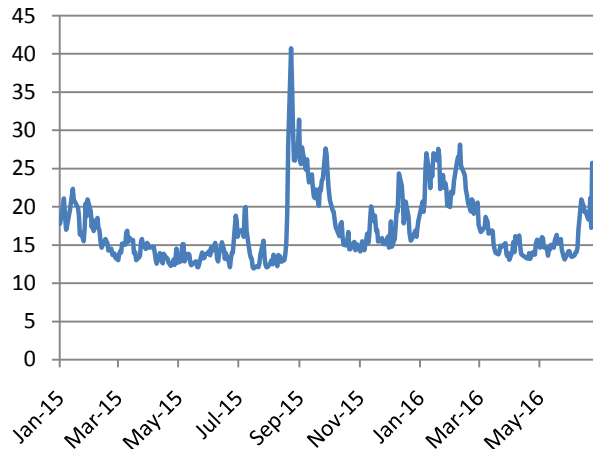
Source: Yahoo Finance

Figure 2. JP Morgan Emerging Market Bond Index



Source: Yahoo Finance

Figure 3. VIX Volatility Index



Source: Yahoo Finance

International Interest Rates

- The interest rates on U.S. Treasuries fell in June. The secondary market interest rate on 1 year U.S. Treasury Bills fell 24 basis points to 0.44 percent, while the interest rate on 3 month U.S. Treasury Bills fell 3 basis points to 0.27 percent.
- London Interbank Offer Rates (LIBOR) also fell in June, with the 3-month rate falling 3 basis points, and the 1-year rate falling 10 basis points.
- Global monetary policy remains accommodative. On June 2, the European Central Bank announced it was leaving interest rates unchanged, at low levels. On June 15, the U.S. Federal Reserve board announced it would leave its policy interest rates unchanged. On June 16, the Bank of England announced it was leaving both its policy interest rate and the size of its Asset Purchase Programme, which provides additional liquidity to the markets, unchanged.

Table 5. Key World Interest Rates

| | Interest Rate | As of: | 1 Month Change |
|---------------------|---------------|--------------|----------------|
| 3 Month US Treasury | 0.27% | July 1, 2016 | -0.03% |
| 1 Year US Treasury | 0.44% | July 1, 2016 | -0.24% |
| 3 Month LIBOR | 0.65% | July 1, 2016 | -0.03% |
| 1 Year LIBOR | 1.23% | July 1, 2016 | -0.10% |

Source: Federal Reserve Board and global-rates.com